

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6660**

**BILL NUMBER:** SB 317

**NOTE PREPARED:** Jan 4, 2004

**BILL AMENDED:**

**SUBJECT:** Rainy Day Fund Limit.

**FIRST AUTHOR:** Sen. Zakas

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State

**Summary of Legislation:** This bill increases the maximum amount that may be retained in the Counter-Cyclical Revenue and Economic Stabilization Fund from 7% of total state General Fund revenues to 10% of total state General Fund revenues.

**Effective Date:** June 15, 2004.

**Explanation of State Expenditures:** *Rainy Day Fund Balance and the Property Tax Replacement Fund:* Under the bill, at the end of the state fiscal year, if the Rainy Day Fund exceeds 10% of the total state General Fund revenues for the state fiscal year, the excess would be appropriated from the Rainy Day Fund to the Property Tax Replacement Fund (PTRF). Current law allows for excess transfers to PTRF from the Rainy Day Fund to occur if the Rainy Day Fund balance exceeds 7% at the end of a given state fiscal year. This bill would allow the Rainy Day Fund to accumulate larger balances.

The fiscal year-end Rainy Day Fund balances from FY 1999 through FY 2003, along with the current and proposed 10% caps for FY 2004 through FY 2005, are presented in the following table.

<b>Fiscal Year</b>	<b>Rainy Day Fund Max Balance @ 7 % Cap (Millions)</b>	<b>Rainy Day Fund Max Balance @ 10% Cap (Millions)</b>
1999	\$524.7	\$749.6
2000	\$539.9	\$771.3
2001	\$526.0	\$751.4
2002	\$502.9 *	\$718.4
2003	\$509.3 *	\$727.6
2004	\$504.9	\$721.3
2005	\$525.9	\$751.2
* The fund balance for FY 2002 & FY 2003 was limited by P.L. 291-2001. The FY 2002 actual fund balance was \$269.2 M and was \$278.5 M in FY 2003.		

*Background:* The Rainy Day Fund was established in 1982 (P.L. 182-1982) with the first transfers to the Fund being in FY 1985. The purpose of the Fund is to allow the state to collect and maintain general purpose tax revenue during periods of economic expansion for use during periods of economic recessions. Two major functions of the Fund are to provide resources for use when the state needs to adjust its expenditures due to revenue shortfalls and restrict resources available to the General Fund in expansionary years, which controls expenditure growth.

P.L. 224-2003 (Budget Bill) provided that if the budget director determines that there are insufficient funds in the General Fund any time during the fiscal year to meet its statutory obligations, the Budget Agency (with approval of the Governor and after review by the Budget Committee) may transfer amounts necessary from the Rainy Day Fund to the GF to maintain a positive balance in the GF. No funds were transferred under this provision in FY 2003. The Fund balance as of June 30, 2003, was \$278.5 M.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** State Budget Agency.

**Local Agencies Affected:**

**Information Sources:** State Budget Agency, *General Fund, Property Tax Replacement Fund, and Rainy Day Fund Summaries*, FY 2002, July 11, 2002. Revenue Technical Committee, December 18, 2002, Revenue Forecast.

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